
INTERNATIONAL TRADE CONTINUES TO WEIGH ON GDP GROWTH

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Abstract

International trade is and will continue to be one of the important activities of the national economy. This is because in the current period there is no longer the possibility for some countries, no matter how developed they are, to carry out an autarchic economic activity.

In this article, the authors started from the idea that this importance for the national economy, in the context in which imports are not correlated with exports, constitutes a disadvantage for the final result of the national economy. In this context, the net export, i.e. the difference between export and import, is quite high, i.e. it indicates a deficit of the balance of external trade payments for Romania.

Starting from this aspect that the activity of international trade is necessary for any country, the authors set out to highlight that, however, the imbalance that exists between exports and imports in favour of imports is a negative element in terms of the final result recorded by Romania. In this context, it started from the fact that since 1990 until now, so for 33 years Romania has always obtained deficits of the external trade balance.

Using data provided by the National Institute of Statistics and Eurostat, the authors are undertaking a fairly pertinent study, revealing that this net export continues to be an essential element, as imports exceed exports by almost EUR 4 billion in November. From this point of view, the indicator of the coverage of imports through exports is subunit, revealing that some of the results that are obtained in the national economy are used by the economic agents who exchange them in order to obtain the currency necessary for payments.

Given that the exchange rate of the leu against the US dollar or the euro has also deteriorated, it appears that the sufficiently important activity carried out internally is affected by these external payments. At the same time, it is revealed that some imports that are carried out could be replaced by the

production of economic agents domestically, but this is no longer achieved due to the two conditions in which the European Union acts, namely quality and price, which are unfavourable to Romania.

We used a complex methodology using the indicators published by the National Institute of Statistics through the monthly releases, as well as the concentrated data provided by the European Union. We have also studied and used the method of comparison, structural analysis and other statistical-econometric methods to validate that these exports and imports have the respective values and that by comparing them (net export) leads to the reduction of the value of the Gross Domestic Product used in the international comparisons introduction the analysis of this international trade activity.

Keywords: import, export, balance of external payments, indicators, methods and statistical models.

JEL classification: H10, H60

Introduction

In the analysis of this activity, the international trade, the authors were concerned to put in the page in the first place the fact that from one period of time to another this activity generally speaking has increased. In this respect, it is revealed that both imports and exports increased with the specification that imports by volume were much higher than exports.

It was pointed out that the net export indicator is in a continuous growth, having a negative contribution to the formation and growth of the Gross Domestic Product. Starting from this desideratum, a comparison was made between intra-EU and extra-EU trade, revealing that over time intra-Community exports increased more to the detriment of Romania's total international trade. Thus, as far as imports are concerned, the authors found that a number of them are carried out even if in the previous conditions a number of economic agents could produce and distribute on the domestic market, especially agri-food products, they achieved less and less, there being one important influx of importing agri-food products. These imports of products, some of them are of strict necessity, such as those that represent the continuation of the production activity at those assemblies' subassemblies or products simply necessary for the development of the production that the Romanian economy cannot achieve. But there are also imports especially of agro-food products that Romania imports and in this way, it affects the activity of the Romanian economic agents, which in the competition on the European market cannot acquire the quality and prices of foreign agents by restricting their activity.

This phenomenon has hardened especially in the conditions of the Covid 19 pandemic crisis and the energy crisis especially, but it is a continuous phenomenon triggered many years ago.

Then there were analyzed the main relations (countries) with which Romania makes external trade, as well as the main goods that appear in Romania's exports and imports from the European market or the wider world market. It is also pointed out that some correlations such as the coverage of imports through exports have deteriorated, with the phenomenon of crises acting in concert leading to the decrease of this indicator.

Literature review

The international chamber has a particularly important role for any national economy and from this point of view many researchers have turned their attention to this activity. Thus, Anghel M.G., Iacob S.V., Haseganu D.A. (2020) have studied and disseminated a series of studies on the evolution of international trade in goods between Romania and other states. Bernard A.B., Jensen J.B., Redding S.J., Schott P.K. (2012) were in charge of analyzing the role of large international corporations in the international trade in goods. Elgstrom O. (2007) pays attention to international trade activity in terms of the content and technique of negotiations, and Fajgelbaum P., Grossman G., Helpman E. (2011) make a study on income, quality of production and international trade, in which elements relating to foreign trade are currently addressed. Hill C., Smith M. (2011) published an extensive paper on international trade relations and relations with the European Union, and Hummels D. (2007) published a paper dealing with the cost of transportation in international trade in the age of globalization. Staiger R., Sykes A. (2011) published an analysis on international trade, national treatment and domestic regulations in the countries involved in such transactions.

Date, results and discussions

Regard in the situation of international trade, we find that the increases registered until 2019 register an ambiguous state in the sense that both export and import have increased, or the deficit of the balance of trade payments has increased. Starting with 2020, this situation remains.

For export, in some groups of goods, increases were obtained (for means of transport), and for import, the share of the group of chemicals and plastics increased.

Most of the groups of goods have decreased, the most affected being metallurgical products and mineral products for export, as well as means of transport and mineral products at import.

From the point of view of the share of the main groups of goods in the Combined Nomenclature in the total export operations for inward processing, we note that the essential share had: garments made of knitted or crocheted fabrics, textile materials, mechanical machines and devices, electrical devices for recording and reproducing sound and images, footwear and similar articles, means and materials of transport, metallurgical products.

In the period 01. 01-31.08. In 2022, exports and imports increased by 25.1% and 31.5%, respectively, compared to the period 01. 01-31. 08.2021. In the period 01. 01-31.08.2022 FOB exports amounted to EUR 60,292.7 million, and CIF imports amounted to EUR 82. EUR 292.5 million.

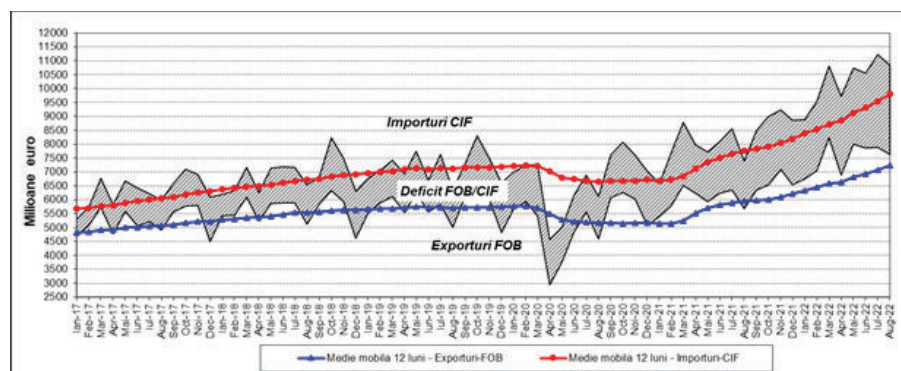
Trade balance deficit (FOB/CIF) in the period 01. 01-31. 08.2022 was 22,000.8 million euros, higher by 7. EUR 381,3 million than that recorded in the period 01. 01-31. 08.2021.

In the month of august 2022 FOB exports were 7. EUR 618,8 million, CIF imports were 10. 841.7 million euros, resulting in a deficit of 3. EUR 222.9 million.

Chart number 1 shows the evolution of the exports, the imports or and the balance of trade in the period January 2017 – August 2022.

Exports, imports and the balance of trade balance between January 2017 and August 2022

Chart 1



In total, the foreign trade activity, we can appreciate that it has evolved negatively in terms of volume, as well as in terms of the two elements, import and export.

The reduction of exports and imports was also stimulated by the slight appreciation of the national currency. Against this background, the positive element of the appreciation (instability) of the leu has a negative effect on

exports. Many of the exporters either tempered their activities or recorded, if not losses, at most modest gains.

In the structure by country, the largest deficits were recorded with Hungary, China, Kazakhstan, Austria, Germany, the Russian Federation.

Positive balances were registered mainly with: Serbia, Norway, Republic of Moldova, Egypt, United Arab Emirates, Lebanon, Gruzia, Iraq, United Kingdom, Syrian Arab Republic.

As regards the exports and imports made, at least three common characteristics are found. The first characteristic is that the evolution in 2022 compared to 2021 of exports and imports, with small exceptions, Ireland, Malta, Finland and the United Kingdom, for export, respectively, Estonia, Ireland, Latvia and Malta, on import, marked positive trends, of course, differentiated from country to country.

The second characteristic, that, both for export and import, in all countries, there have been negative developments and, I would say, with a specificity given by an increased magnitude placed in the range of 15-30% and even above this value in the case of import, here being able to nominate, along with Romania, Bulgaria, Estonia, Latvia and Finland respectively.

Finally, the third characteristic is marked by the fact that the advance of the decrease in exports to the decrease in imports implicitly led to the reduction of the trade deficit.

Thus, we encounter two hypostases: states that increased their trade surplus in 2022 compared to 2021: Ireland, Belgium, Denmark, the Czech Rep. and Hungary; and countries where the surplus, although it still remains at a relatively lower level. This is the case for Germany, the Netherlands, Sweden and Finland. With a reduction in the deficit, Romania is among the countries with the largest deficit reductions. In the country structure, the largest deficits in 2022 were recorded with Hungary, China, Kazakhstan, Germany, Austria, the Russian Federation, unlike in 2019 when the hierarchy of the countries with which Romania recorded the largest deficits included Germany, the Russian Federation, Hungary, Kazakhstan, China, Austria.

Notable is the reduction of the deficit with Germany due to the increase in exports of cars and vehicles for the transport of goods. The economic crisis manifested itself acutely in the field of foreign trade, with decreases in Romanian exports every month from 2021-2022 compared to the corresponding months of 2019, which also confirmed the trends manifested previously. From 2013 until 2019 to the present, it was noted the return to a more accelerated pace of international exchanges, after which, the interval 2020-2022 had an oscillating pace.

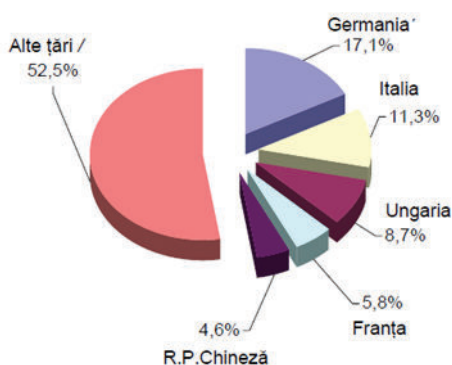
The evolution of the number of exporters and importers in the period 2021-2022, a period that captures both the effect of Romania's accession to the European Union, on January 1, 2007, was characterized by a significant increase in their number.

It is worth noting that out of about 22,000 exporters, 759 exporters (with annual exports of over 5 million euros) cover almost 76.4% of the annual volume of exports of 2022.

In the case of imports, out of about 67,310 importers, 1160 importers (with annual imports of over 5 million euros) cover almost 70% of the import volume. It should be noted that the share of exports and imports of agri-food products (including beverages and tobacco) in total exports and imports decreased in the first eight months of 2022 by about 0.9% in the case of exports and 2.0% in the case of imports. The shipments of agro-food products to the European Union countries had a value share of about 67% and the introductions of agro-food products from the EU member states held a share of about 30.7%.

Romania's main partner countries in 2020

Chart 2

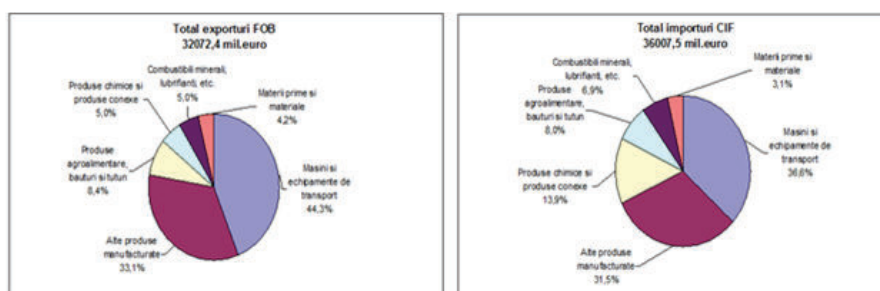


In the case of imports of agri-food products, beverages and tobacco, the main trading partners in the European Union are Hungary, Germany, Bulgaria, the Netherlands, Italy and Poland.

In the case of imports, important partner countries from the non-Community area also appear, such as China (phones, batteries and batteries, transformers, shoes, electrical circuits) by 4.5%.

Structure of international trade by product groups, in the period 01. 01-31. 08.2022

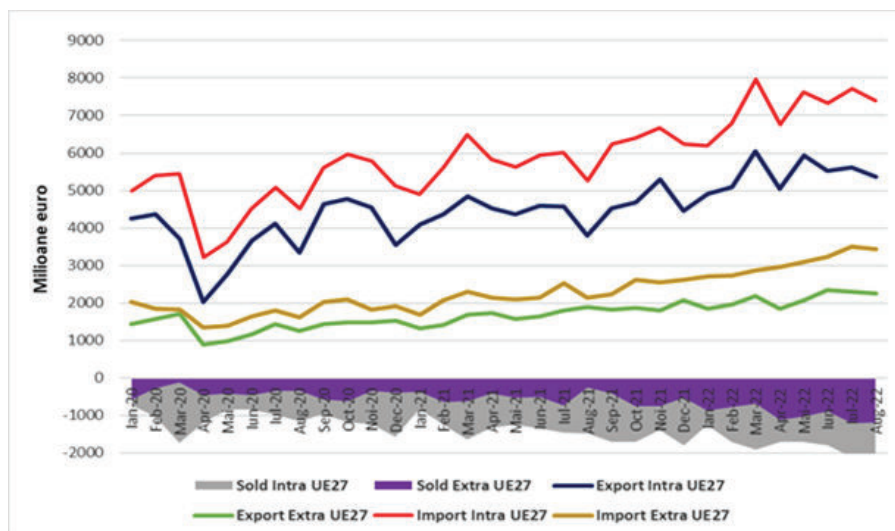
Chart 3



In the period 01.01-31.08.2022, important shares in the structure of exports and imports are held by product groups: machinery and transport equipment (41.3% for exports and 37.0% for imports) and other manufactured products.

Exports, imports and balances of intra-EU27 and extra-EU27 trade balances in the period January 2020 – August 2022

Chart 4



The trade balance deficit (FOB/CIF) was 3 in August 2022. 222.9 million euros, lower by 232.7 million lei than the one recorded in August 2021. FOB exports in the period 01. 01-31. 08.2022 were 7. 618.8 million euros and CIF imports were 10,841.7 million euros.

The value of intra-Community trade in goods (intra-EU27) in August 2022 was 5. EUR 371.7 million for shipments and EUR 741.7 million.

The value of extra-Community trade in goods (extra-EU27) in August 2022 was 2. EUR 247.1 million in exports and EUR 3. EUR 440.0 million on imports.

Conclusions

The study of this article conducted leads to some pertinent conclusions regarding the activity of international trade. First of all, it is found that exports are a necessity that must be developed in the next period as the exchange rate brings the necessary currency (US dollars and euros) necessary for international trade (imports).

On the other hand, it is found that exports are limited, however, especially considering that the Romanian economy has gradually given up some products that were ait for export. That is why the conclusion that emerges is that measures must be taken to increase exports.

As regards imports, they should be structured in two categories. It is necessary to import the necessary to complete the resources required by the development of some branches of the national economy (see the production of Dacia cars), and others are made in the context in which they could be made indoors. Here it is concluded that it would be necessary to pay more attention to domestic production through the support from the national recovery and resilience account and subsidies from the national budget, which would cope with the competition with the same kind of products on the foreign market.

Another conclusion is that international trade activity is carried out somewhat chaotically, in the conditions of the current crises, and imports are growing in volume faster than exports, leading to an increase in the deficit of the external balance of trade payments.

Finally, it must be concluded that in the strategies of the government, as well as of the national and multinational companies operating on the territory of Romania, to pay a much higher attention to the products for export. In this respect, we can specify that those industrial orders launched in the Romanian industry for export are increasingly reduced, developing first of all the extractive industry and in somewhat more limited terms the manufacturing industry, in many branches such as textile, leather and others, resorting to processing external orders without using extensively the materials that the

national economy offers. Particular attention must be paid to agriculture, especially after 2020, a particularly difficult one, in order to achieve greater crop and animal production, to develop the processing industry of these agricultural products so that their presence on the internal market increases at the expense of the growth of imported products.

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